The Steel Industry's Agreement to Eliminate Strikes

devising solutions to joint problems through labor/management cooperation

Paul D. Staudohar

Employer - employee relations practitioners and scholars have long sought ways to forestall strikes in U.S. industry. There is a growing feeling that traditional confrontation between labor and management should be softened in the direction of increased accommodation. An encouraging recent development is the agreements in the steel industry to use arbitration as a strike alternative.

In 1973 the nation's 10 major steel companies and the United Steelworkers of America (USW) ratified an agreement to eliminate strikes. It represented a milestone in an industry plagued by boom-bust cycles that were triggered by triennial negotiations of a nationwide collective-bargaining agreement. Success in preventing a strike in 1974, gave rise to an extension of the no-strike pact through 1977 negotiations. As such, the earliest a national strike will occur in steel is 1980.

The "Experimental Negotiating Agreement" (ENA) resulted from a weakening of the steel industry and USW caused by the negotiating cycle. Although the last steel strike was in 1959, for 116 days, steel users would begin several months before negotiations to stockpile steel. This entailed costly overtime payments by the steel mills to fill demand, and gave foreign producers opportunities to make inroads or domestic markets. U.S. production would subsequently drop, with or without a strike, as customers turned to their inventories and contracts with foreign suppliers. Discontinuous operation caused unemployment. The union president, I.W. Abel, estimated that the record 18.3 million tons of steel imported in 1971 represented the export of some 108,000 full-time job opportunities, and that stockpiling and related problems cost the companies $80 million annually.

In most of U.S. manufacturing, agreements are reached on an individual basis between firms and unions in what is called pattern bargaining. The target firm's agreement is a strong precedent in subsequent negotiations with other firms in the industry. But steel is novel in that the 10 major companies band together in negotiations, and thus a strike affects virtually the entire industry.

Industry-union discussions to head off strikes began in the late 60s, but failed for lack of adequate

support within the union. Continued worsening in position with foreign competition, layoffs and changes in union politics that provided a more solidly entrenched leadership, helped make the 1973 agreement possible. Also, a movie, "Where's Joe?", depicting job loss from imported steel, was shown on television in steel mill areas to gain employee support.

Under the initial ENA the parties agreed in advance of negotiation of the 1974 contract that some 350,000 represented employees would be guaranteed wage increases of at least three per cent each year from 1974-76. Employees also received a one-time bonus of $150 in recognition of the anticipated savings from avoiding the effects of stockpiling, as well as a cost-of-living escalator. The parties agreed that when negotiations took place in 1974, unresolved issues would be submitted to binding arbitration. While the agreement thus precluded a strike over national issues, local unions were given a right to strike over local plant issues. Such strikes, however, required approval of the national union president, and would not halt the nation's steel supplies.

ENA caused dissent among some union members, who filed a lawsuit in federal court claiming that the union violated its constitution and labor law by giving up strike rights without submitting the proposals to the full membership for ratification. The court rejected the claims, noting that the government of a union was a "representative democracy," not a "pure democracy." Since there was sanction by approved membership representatives the procedure was found "valid and legally irreproachable."

Labor/Management Councils

Although the arbitration panel was appointed in 1974, negotiations in that year did not require use of arbitration. The parties were philosophically committed not to use it, but praised its availability as a means of stimulating negotiations in the absence of a strike threat.

Devising solutions to joint problems through collective bargaining should be more widely applied. In the few instances of its use there has usually been a crisis to impel action, as seen in the steel and West Coast longshore industries. However, such agreements can also be reached in noncrisis situations, for such as increasing productivity through joint labor-management councils.

We know that strikes, though sometimes necessary to secure commitment to bargaining, are often counterproductive to the inter-

ests of all concerned. It takes a relatively mature bargaining relationship to create strike alternatives. Yet as we look at the over 40 years of collective bargaining under the National Labor Relations Act, and long-standing relationships that have come about, the time appears ripe for the pendulum to swing from a test of economic strength to cooperation.

Voluntary binding arbitration of negotiation impasses has not traditionally been a popular means of resolving impasses. Only about one or two per cent of the agreements in private industry are so reached. Despite the widespread use of grievance arbitration to resolve disputes over the terms of existing contracts, the parties, especially the stronger, are reluctant to cast their fate to outside third parties. Their reasoning is compelling in the sense that the stronger side may get a more favorable outcome through economic force. Also, unlike interpretation and application of existing contract language, arbitration of something as vital and complex as future interests is a poor replacement for the knowledge of the parties in arriving at their own agreement through negotiations. Nonetheless, there are situations in which the tradeoff between risk of arbitration and onus of a strike is worth the candle, as steel illustrates.

However technically qualified and high in integrity arbitrators may be, submission of interests issues to them is a dicey proposition. There is much to lose by either side from a "bad" decision. This very risk can provide a catalyst to draw the parties together to avoid imposition of agreement by an outsider. The parties know that however well an arbitrator may scrutinize and sagely decide issues, arbitration is ordinarily less fulfilling than the parties' own agreement.

Recent Developments

Two recent developments in the strike-plagued airline industry give support to the use of arbitration to resolve bargaining impasses. In February 1976, National Airlines annd the Air Line Employees Association signed a "no-strike" agreement which provides that if economic issues are not resolved by the contract deadline, they will be submitted to arbitration for final decision. Arbitration is not available for noneconomic issues, such as work rules, but the union agreed not to strike over these issues. This was followed by an agreement between Braniff International and the Airline Pilots Association in July 1976 that unresolved bargaining issues would be arbitrated.

Both of these agreements follow the formula established by the steel industry in the sense that the unions agreed to substitute strikes for arbitration as a means of resolving their differences in the event that the parties are unable to agree themselves in negotiations. They appear to represent development of a sound collective-bargaining strategy, in the interests of the parties and the public alike.

Paul D. Staudohar is associate professor of business administration, California State University, Hayward. He is also an associate of the *California Public Employee Relations*, the journal of the Institute of Industrial Relations, U.C.-Berkeley. He received the Ph.D. in Economics from the University of Southern California.